



COUNCIL AGENDA: 03-09-10

ITEM: 2.10

## Memorandum

TO: HONORABLE MAYOR  
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 02-16-10

Approved

Date

2/25/10

COUNCIL DISTRICT: City-Wide

SUBJECT: RESOLUTION FOR STATE ENERGY PROGRAM TOPICS 1 AND 2

### RECOMMENDATION

Adopt resolutions authorizing the administration of American Recovery and Reinvestment Act funds from the California Energy Commission's State Energy Program as follows:

1. State Energy Program Area 1 Property Assessed Clean Energy Financing: Authorize Sacramento County to accept a grant award on the City's behalf from the California Energy Commission's State Energy Program for the implementation of the California Statewide Communities Development Authority ("California Communities") CaliforniaFIRST program and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the CaliforniaFIRST program.
2. State Energy Program Area 2 Residential Energy Efficiency Retrofits: Authorize the Association of Bay Area Governments to accept a grant award on behalf of the City related to the Retrofit Bay Area Program, a comprehensive residential energy efficiency outreach, retrofit, and job creation program and to recognize the County of Santa Clara as the lead local implementer for Santa Clara County local governments as the recipient of funds to implement and carry out the Retrofit Bay Area Program in Santa Clara County

### OUTCOME

Approval of this recommendation will enable the California Energy Commission to proceed with State Energy Program (SEP) funding dispersal to the third party program administrators. Sacramento County and Association of Bay Area Governments (ABAG) will administer SEP program funding to all jurisdictions falling within the two program areas, enabling San José and

HONORABLE MAYOR AND CITY COUNCIL

02-16-10

Subject: Resolution For State Energy Program Topics 1 And 2

Page 2

other jurisdictions within the participating target regions to participate in aggressive energy efficiency and renewable energy measures.

### **EXECUTIVE SUMMARY**

The City, working in collaboration with the other Bay Area cities and Counties, has been awarded two California Energy Commission State Energy Program grants: SEP Area 1, supporting the implementation of the CaliforniaFIRST program; and SEP Area 2, the California Comprehensive Residential Retrofit Program. The CaliforniaFIRST consortium, led by Sacramento County, was awarded approximately \$16.5 million to buy down the interest rate on initial bond sales that fund property owner loans for solar installation, and to offset start-up fees for the 14 participating counties and their associated cities, saving San José approximately \$30,000 that would otherwise be spent from City's energy program budget. The grant will support the pilot phase of CaliforniaFIRST, which will allow San José property owners to voluntarily finance energy improvements, including energy efficiency measures and installing solar, on their homes or commercial buildings, repaying the funds on their property tax bill over 20 years. Sacramento County, the lead agency, will accept and manage the grant.

The Residential Retrofit consortium, led by the Association of Bay Area Governments, was awarded \$10.75 million for its Bay Area Retrofit Program designed to accelerate energy efficiency retrofits through a comprehensive residential program. While ABAG will accept and manage the entire grant, between \$1.5 and \$1.95 million will flow to Santa Clara County as part of Retrofit Bay Area, which will enhance and leverage the work of the Silicon Valley Energy Watch program and a portion of those funds will directly benefit San José City residents through Santa Clara County's operation of the Residential Retrofit program., as described below. .

The California Energy Commission and ABAG have requested that cities in participating counties provide authorizing resolutions by March 15, 2010.

### **BACKGROUND**

The California Energy Commission's (CEC) State Energy Program has a particular focus on energy efficiency, renewable energy, and related job creation. The State Energy Program proposed using \$95 million in American Recovery and Reinvestment Act (Recovery Act) funds in three grant areas supporting regional: tax-based solar financing through programs such as CaliforniaFIRST (SEP Area 1); residential energy efficiency retrofits (SEP Area 2); and commercial and municipal energy retrofits (SEP Area 3). The City coordinated with other regional entities to apply for funding in all three areas and received grants in the first two categories.

SEP-1: Property Assessed Clean Energy Financing (PACE) and the CaliforniaFIRST Program  
California Communities is a joint powers authority with members from the 58 counties and more than 400 other local agencies throughout California, including the City of San José. To facilitate

implementation of AB 811, California Communities is offering the CaliforniaFIRST Program statewide on a pilot basis to allow residential and commercial owners of property in participating cities and counties to finance clean energy improvements and pay the cost of the projects over an extended period of time through assessments on their property tax bill.

Under the lead applicant, Sacramento County, the 13 counties and all incorporated cities eligible to participate in the pilot stage of the CaliforniaFIRST Program collaborated on a proposal to the Energy Commission State Energy Program for a grant of up to \$16.5 million. On February 10<sup>th</sup> 2010, the California Energy Commission awarded the Sacramento County proposal \$16,499,050.

The grant funds will be used to offset start-up costs for the 13 counties and all incorporated cities, provide an interest rate buy-down for program participants, address initial fees associated with bond issuance, support local marketing/education/training/outreach, support local coordination, and provide grant administration to support the launch of the CaliforniaFIRST program. Sacramento County will not directly distribute grant funds to the City. Rather, SEP Area 1 funding will be distributed to the CaliforniaFIRST program administrator Renewable Funding for program implementation. The proposed uses of the grant funds is outlined in greater detail in Exhibit A to the proposed resolution which will be posted on the City's agenda webpage with this memorandum.

#### SEP-2: Retrofit Bay Area – The California Comprehensive Residential Retrofit Program

Eight Bay Area counties collaborated with the Association of Bay Area Governments to develop a comprehensive residential single-family and multifamily building retrofit program that leverages regional cooperation and funding. ABAG submitted the proposal to the CEC for the SEP 2 grant, and was awarded \$10.75 million in ARRA grant funds on behalf of Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties. The proposed uses of the grant funds is outlined in greater detail in Exhibit A to the proposed resolution, which will be posted on the City's agenda webpage with this memorandum. ABAG expects to sign implementation contracts with each of the eight participating Bay Area Counties by March 31, 2010, with program implementation commencing immediately thereafter. Grant funds will be used by ABAG program participants to carry out local and Bay Area-wide consumer outreach and education campaigns and workforce development activities that will accelerate demand for home energy retrofits and expand the regional building industry's capacity to delivery high-quality, cost-effective retrofit services.

Per the proposed resolution, San José will recognize Santa Clara County as the lead for implementation of the Retrofit Bay Area Program in Santa Clara County. Santa Clara County expects to receive between \$1.5 and \$1.95M through the program. The County Retrofit Program will consist of a suite of energy programs and information, linked with the CaliforniaFIRST program and Silicon Valley Energy Watch (SVEW), the City of San José's County-wide energy efficiency partnership with PG&E. Home energy audits provided to County residents as a result of this program are expected to stimulate interest in comprehensive retrofits, such as added insulation, weatherization, heating, ventilation and air conditioning upgrades, and energy efficient appliances, resulting in significant reductions in energy and water consumption.

### ANALYSIS

The two SEP programs will interact to maximize possible energy reductions and appropriate renewable energy deployment City-wide.

The objective of the SEP-1 CaliforniaFIRST PACE program is to facilitate enrollment in CaliforniaFIRST AB 811 municipal financing program. Working in collaboration with 160 governmental agencies, including 146 cities and the 13 counties of Alameda, Fresno, Kern, Monterey, San Benito, San Diego, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Solano, Ventura and Yolo, the County of Sacramento will function as the collaborative lead. The project goal is to successfully install a minimum of 5,000 energy efficiency and renewable energy generation systems in residential and commercial properties and create approximately 1,942 jobs.

The SEP-2, *Retrofit Bay Area* program targets an average reduction of 20% in overall home energy use. The goal for the entire Bay Area program is to complete 17,000 residential retrofits during the grant cycle, with an average minimum target of 20% energy reduction. Based on population, Santa Clara County expects to complete at least 4,359 retrofits, create 446 new jobs, save \$1.7 million in energy costs for homeowners, and reduce BTUs consumed by 100 billion.

The program will be closely linked with the City's Silicon Valley Energy Watch energy efficiency outreach, education, and low/moderate income residential savings delivery programs, and with the City's Housing Rehab program. Additional outreach and strategic coordination will occur with the City's Strong Neighborhoods Initiative.

Because the Santa Clara County portion of *Retrofit Bay Area* will be coordinated by the County itself, the City will not be required to encumber, expend, or distribute funds in any way for the sake of the program. The sole responsibilities of the City for the county Retrofit Program will be to participate in community outreach and program coordination.. The City will not receive direct funds from this grant, and will not be required to sign contracts in order for implementation activities to be conducted in San José. Funding for the City's Silicon Valley Energy Watch program is outlined below under Cost Implications.

Implementation of the SEP grant projects will support many of the City's energy Policies and Strategies, as well as leverage and support other energy related activities, including the City's other Recovery Act funded programs such as the Energy Efficiency Conservation Block Grant and Department of Energy Solar America City programs. Support will also be leveraged through the Neighborhood Preservation Program; the Silicon Valley Energy Watch; and other energy-related workforce development activities. Finally, these programs will support the development and implementation of the City's Climate Action Plan and the energy chapter of the General Plan update, Envision San José 2040.

### **EVALUATION AND FOLLOW-UP**

All Recovery Act grants require on-going quarterly and annual reporting. Staff will work closely with Sacramento County to ensure that the reports are completed per the requirements of the SEP-1 grant. For the *Retrofit Bay Area* program, Santa Clara County will be responsible for all reporting requirements. The City's Silicon Valley Energy Watch program will assist in tracking data to the extent that such activities are already within its scope of work regarding County-wide energy efficiency coordination. These reports will be posted on the City's Recovery Act website at [www.sanjoseca.gov/recoveryact](http://www.sanjoseca.gov/recoveryact). Updates on this program, and other Green Vision goal activities, will be provided annually as part of the Recovery Act and Green Vision reports.

### **PUBLIC OUTREACH/INTEREST**

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this memorandum does not meet any of the above criteria, it will be posted on the City's website for the March 9, 2010 Council meeting.

Additionally, there have been numerous meetings and discussions with energy and related managers from Santa Clara County cities, the County of Santa Clara, and various external agencies, including the implementing agencies named above and Build It Green. Through the ongoing outreach and education from its existing Silicon Valley Energy Watch and Department of Energy Solar America Cities programs, the City reaches numerous builders, designers, installers, mechanical engineers, and residents. During 2009 in particular, both of these programs facilitated extensive regional policy coordination, developing relationships with key third party and supporting implementers, toward the effective implementation of these and related energy programs.

### **COORDINATION**

This memo has been coordinated with the City Attorney's Office, City Manager's Office, Budget Office, and Planning Department.

HONORABLE MAYOR AND CITY COUNCIL

02-16-10

Subject: Resolution For State Energy Program Topics 1 And 2

Page 6

### **FISCAL/POLICY ALIGNMENT**

This item is consistent with Council approved Green Vision, and Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

### **COST IMPLICATIONS**

The cost to the City associated with participating in the CaliforniaFIRST Program was an approximately \$30,000 set-up fee to cover California Community's legal, procedural, and technology administration. On January 26, 2010, Council approved the use of Department of Energy Solar America City funds to pay this set-up fee. However, the California Energy Commission State Energy Program grant funding administered by Sacramento County will now pay the set up fee for participants in the pilot stage of the CaliforniaFIRST Program. As a result, the City will not use its Solar America Cities grant funding for this purpose.

City staff time and expenses related to marketing of the CaliforniaFIRST (SEP-1) Program are anticipated to be paid through the DOE Solar America Cities Market Transformation grant. The City Council authorized execution of that grant agreement at its meeting on December 15, 2009. City staff time and expenses related to outreach and coordination related to the County Retrofit Program of *Retrofit Bay Area* (SEP-2) will be paid through the Silicon Valley Energy Watch grant with PG&E, which began on January 1, 2010, and will conclude December 31, 2012. The City Council authorized execution of that grant agreement at its meeting on December 15, 2009.

### **BUDGET REFERENCE**

N/A

### **CEQA**

SEP Area 1: Exempt per County of Sacramento Control Number 2009-PWE-70128

SEP Area 2: Categorically Exempt, File No. PP10-038

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

For questions, please contact Mary Ellen Dick, Manager, Office of Sustainability,  
at 408-535-8555

Resolutions will be posted by City Attorney's Office.